

WATERVLiet TOWNSHIP
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT

March 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name WATERVLIT TOWNSHIP	County BERRIEN
Audit Date 3/31/06	Opinion Date 5/24/06	Date Accountant Report Submitted to State: June 22, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) GERBEL & COMPANY, P.C. CPA'S			
Street Address 830 PLEASANT STREET, P.O. BOX 44	City ST. JOSEPH	State MI	ZIP 49085
Accountant Signature <i>Robert R. Gerbel CPA</i>		Date 6-22-06	

**WATERVLIET TOWNSHIP
BERRIEN COUNTY, MICHIGAN**

FINANCIAL REPORT

March 31, 2006

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Using this Annual Report

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government wide financial statements.

Financial Highlights

The Township's combined net assets increased \$51,974 from a year ago-increasing from \$8,094,073 to \$8,146,047. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net assets of \$155,084. during the year, while the business-type activities experienced a decrease in net assets of \$103,110.

Overview of the Financial Statements

This report consists of four parts---- *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that *presents combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts of* the Township government, reporting the Township's operations in more detail than the government-wide statements.

The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short- and long-term financial information about the activities the government operates *like businesses*, such as the sewer system.

Fiduciary fund statements provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with combining statements that provide details about our non-major governmental funds, which are added together and presented in single columns in the basic financial statements. The following table summarizes the major features of the Township's financial statements, including the portion of Township government they cover and the types of information they contain.

The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of Watervliet Township's Government - Wide and Fund Financial Statements

Fund Statements

	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Township government(except fiduciary funds) and the Township's Component units	The activities of the Township that are not proprietary or fiduciary, such as, police ambulance, building, fire, and general operations.	Activities the Township operates similar to private businesses; the sewer system.	Instances in which the Township is the trustee or agent for someone else's resources, such as property tax collections.
Required Financial Statements.	>Statement of net assets. >Statement of activities.	>Balance Sheet >Statement of Revenues expenditures, and changes in fund balances.	>Statement of net assets >Statements of revenues, expenditures, and changes in net assets >Statement of cash flows	>Statement of fiduciary net assets >Statement of changes in fiduciary net assets.
Accounting basis and Measurement focus.	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of assets/liability information	All assets and liabilities, both financial and capital and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; the Township's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities, which is one way to measure the Township's financial health, or position.

- Overtime, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional nonfinancial factors such as changes in the Township's property tax base and condition of the Township's infrastructure.

The government-wide financial statements of the Township are divided into two categories:

- *Governmental activities-Most of the Township's basic services are included here, such as general government, public safety, public works, and recreation and culture.
- *Business-type activities-The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer system is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds-not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Township Board establishes other funds to control and manage money for a particular purpose (i.e. building) or to show that it is properly using certain taxes and grants (i.e. ambulance monies). The following summarizes the Townships Special Millages:

Millages:

Ambulance	0.34600 voted	collected in 2005 - 0.34320
Roads	2.00000 voted	collected in 2005 - 1.98400
Roads	1.00000 voted	collected in 2005 - 0.97240
Fire Protection	1.00000 voted	collected in 2005 - 0.97240
Police Protection	1.50000 voted	collected in 2005 - 1.48800

The Township has the following three kinds of funds:

**Government Funds*-Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations are included in the basic financial statements that explain the relationship (or differences) between them.

**Proprietary Funds*-Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise fund (a type of proprietary fund) is the same as its business-type activities, but provide more detail and additional information, such as cash flows.

**Fiduciary Funds*-The Township is the trustee, or fiduciary, for property tax collections and trailer fees. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's governments-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis Of The Township As A Whole

The Township's combined net assets were \$8,146,047. In a condensed format the following table below shows a breakdown of the net assets:

	Governmental Activities 2005/2006	Governmental Activities 2004/2005	Business-type Activities 2005/2006	Business-type Activities 2004/2005	Total 2005/2006	Total 2004/2005
Current assets	\$ 2,793,051	\$ 2,576,491	\$ 532,057	\$ 640,545	\$3,325,108	\$ 3,217,036
Capital assets	<u>844,195</u>	<u>856,237</u>	<u>4,468,729</u>	<u>4,477,024</u>	<u>5,312,924</u>	<u>5,333,261</u>
Total Assets	<u>\$3,637,246</u>	<u>\$ 3,432,728</u>	<u>\$5,000,786</u>	<u>\$5,117,569</u>	<u>\$8,638,032</u>	<u>\$8,550,297</u>
Long-term debt outstanding	\$ 355,100	\$ 381,100	-	\$ -	\$ 355,100	\$ 381,100
Other liabilities	<u>117,073</u>	<u>41,639</u>	<u>19,812</u>	<u>33,485</u>	<u>136,885</u>	<u>75,124</u>
Total Liabilities	<u>\$ 472,173</u>	<u>\$ 422,739</u>	<u>\$ 19,812</u>	<u>\$ 33,485</u>	<u>\$ 491,985</u>	<u>\$ 456,224</u>
Net Assets:						
Investments in capital						
assets, net of related debt	\$ 441,915	\$ 756,537	\$4,468,729	\$4,477,024	\$4,910,644	\$5,233,561
Restricted	58,653	54,996	-	-	58,653	54,996
Unrestricted	<u>2,664,505</u>	<u>2,198,456</u>	<u>512,245</u>	<u>607,060</u>	<u>3,176,750</u>	<u>2,805,516</u>
Total Net Assets	<u>\$3,165,073</u>	<u>\$3,009,989</u>	<u>\$4,980,974</u>	<u>\$5,084,084</u>	<u>\$8,146,047</u>	<u>\$8,094,073</u>

The following table shows the changes of the net assets as of the current date.

	Governmental Activities 2005/2006	Governmental Activities 2004/2005	Business- Type Activities 2005/2006	Business- Type Activities 2004/2005	Total 2005/2006	Total 2004/2005
Program Revenues:						
Charges for services	\$ 169,094	\$ 158,899	\$ 372,950	\$ 311,799	\$ 542,044	\$ 470,698
Operat. grants & contribut.	-	2,328	-	-	-	2,328
General Revenues:						
Property taxes	623,994	596,756	-	-	623,994	596,756
State shared revenues	241,589	243,541	-	-	241,589	243,541
Interest and rentals	55,025	50,307	14,600	5,811	69,625	56,118
Miscellaneous	26,154	15,707	-	-	26,154	15,707
Total Revenues	<u>\$1,115,856</u>	<u>\$1,067,538</u>	<u>\$ 387,550</u>	<u>\$ 317,610</u>	<u>\$ 1,503,406</u>	<u>\$ 1,385,148</u>
Expenses:						
Legislative	\$ 16,887	\$ 7,502	\$ -	\$ -	\$ 16,887	\$ 7,502
General government	309,864	316,029	-	-	309,864	316,029
Public safety	414,643	272,704	-	-	414,643	272,704
Public works	135,222	125,619	-	-	135,222	125,619
Recreation and culture	9,070	8,770	-	-	9,070	8,770
Community & economic development	35,980	30,415	-	-	35,980	30,415
Interest on long-term debt	16,490	20,185	-	-	16,490	20,185
Depreciation, unallocated	22,616	20,919	-	-	22,616	20,919
Sewer	-	-	490,660	458,664	490,660	458,664
Total Expenses	<u>\$ 960,772</u>	<u>\$ 802,143</u>	<u>\$ 490,660</u>	<u>\$ 458,664</u>	<u>\$ 1,451,432</u>	<u>\$1,260,807</u>
Inc.(dec.) in Net Assets	<u>\$ 155,084</u>	<u>\$ 265,395</u>	<u>\$ (103,110)</u>	<u>\$ (141,054)</u>	<u>\$ 51,974</u>	<u>\$ 124,341</u>

The Township's net assets continue to remain healthy. As a result, net assets grew by \$51,974.

Governmental Activities

Total net assets for the governmental activities increased \$155,084 to \$3,165,073.

Unrestricted net assets – the part of net assets that can be used to finance day to day operations, amounted to \$2,643,325 or 84% of total governmental activities net assets.

Net assets invested in capital assets, net of related debt amounted to \$463,095 or 15% of the total governmental activities net assets. The remaining net assets of \$58,653 are restricted for maintenance and upkeep of the cemetery once the Township's General Cemetery Fund has been depleted and is no longer able to produce revenue to support it operation.

Business-Type Activities

The Township's business-type activities consist of the Sewer Fund. Total net assets for the business-type activities decreased by \$103,110 resulting in net assets of \$4,980,974. \$4,468,729 or 90% is invested in capital assets and therefore is not available for future spending. The amount of business-type net assets available to finance day-to-day operations is \$512,245.

The Township's Funds

The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major funds for March 31, 2006 included the General Fund, Sewer Fund, Police Fund, Road Maintenance Fund and Fire Protection Millage Fund.

General Fund:

Revenue for the 2005/2006 shows no drastic change. However the expenditures did increase in

- 1) Education & Training: Due to the fact that the entire Township Board attended the MTA educational conference in Grand Rapids and
- 2) Parks & Recreation: which reflected the major reconstruction of the pier at Forest Beach Park.
- 3) The increase in audit fees which reflect the extra expenditure for GASB 34
- 4) Also the increase in expenditures reflect the purchase of a generator for the Hall.

Road Maintenance Fund:

The Township shows a large amount of fund balance in the Road Maintenance Fund (218) because in the 2005-2006 fiscal year roadwork was started but not finished and billed. The roads are scheduled for completion in the 2006-2007 fiscal year and will be billed accordingly.

Sewer Fund:

The Sewer fund, due to repairs & maintenance of older sewer lines and equipment, ran a deficit in the 2005/2006 fiscal year. As of January 1, 2006 the sewer rate was increased to \$20.00 per month or \$60.00 per quarter. However, due to repairs and maintenance of older sewer lines and equipment, increases in the Paw Paw Lake Wastewater Treatment plant billings and new sewer line extensions, it is expected that the deficit will be ongoing.

Police Fund:

Revenue for the 2005/2006 fiscal year shows no drastic change. The fund balance allowed us to add an additional shift and an additional officer.

Fire Fund:

Revenue for the 2005/2006 fiscal year shows no drastic change.

General Fund Budgetary Highlights

Over the course of the year, the Township Board did not amend the budget to take into account events during the year. Actual revenues were in excess of budget by \$35,180 while expenditures were over budget by \$16,427.

Capital Asset and Debt Administration

At the end of March 31, 2006, the Township had investments in capital assets for its governmental and business-type activities of \$5,312,924 (net of depreciation and related debt). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and sewer lines. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statement because of Michigan law, which makes these roads the property of the Berrien County Road Commission, along with the responsibility to maintain them.

	Capital Assets at Year End (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Totals	
	2005/2006	2004/2005	2005/2006	2004/2005	2005/2006	2004/2005
Land	28,775	28,775	-	-	28,775	28,775
Land Improvements	67,544	71,407	-	-	67,544	71,407
Building & Improvements	726,302	740,180	754	781	727,056	740,961
Machinery & Equipment	9,605	-	34,639	16,405	44,244	16,405
Vehicles	3,320	5,663	-	5,663	3,320	11,326
Office Equipment	8,649	10,212	-	5,771	8,649	15,983
Utility Systems		-	4,433,336	4,448,404	4,433,336	4,448,404
	<u>844,195</u>	<u>856,237</u>	<u>4,468,729</u>	<u>4,477,024</u>	<u>5,312,924</u>	<u>5,333,261</u>

Long-Term Debt

At the end of the current fiscal year, the Township had total debt outstanding of \$404,700.

Fire Station Addition - \$287,000. Matures September 1, 2015

In 2001 the Watervliet Joint Fire Board constructed an addition to the fire station. Since the Fire Board is a joint board, they were not allowed to take out a loan. The Township agreed to enter into a Municipal Purchase Contract to assist in the financing of the new addition. To enable the Township to enter into the Municipal Purchase Contract, the Fire Board and the City of Watervliet transferred title of the Fire Board real property to the Township by quitclaim deed. As payments on the contract become due, the Fire Board forwards the payments to the Township.

Public Service Building - \$94,100. Matures September 1, 2017

Medic 1 Ambulance occupies the Public Service Building. On August 8, 2002, Watervliet Township entered into a lease agreement with Medic 1 Ambulance. The lease commenced on February 1, 2003. The initial term of the lease is fifteen years. Medic 1 Ambulance will pay \$828 a month as rent the first five years of the lease, \$910 a month as rent for the second five years of the lease, and \$1,001 a month as rent for the third five years of the lease. The amount of rent that is being charged is more than sufficient to cover the loan payments.

Economic Factors and Next Year's Budgets and Rates

The Township anticipates revenues over expenditures in the governmental funds. Expenditures in excess of revenues are expected in the Sewer Fund. Rates are expected to remain the same for the 2006-2007 fiscal year.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

May 24, 2006

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Watervliet Township
Watervliet, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Watervliet Township, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages I through VIII and 23 through 26 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Watervliet Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gerbel & Company, P.C.

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com 1

WATERVLIET TOWNSHIP
Statement of Net Assets
March 31, 2006

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Assets	Activities	Activities	
Cash and cash equivalents - NOTE 2	\$ 2,165,420	\$ 498,725	\$ 2,664,145
Receivables - NOTE 8	616,040	32,701	648,741
Due from fiduciary funds	10,701	-	10,701
Prepaid expenses	890	631	1,521
Capital assets (net of related depreciation):			
Nondepreciable assets - NOTE 5:			
Land	28,775	-	28,775
Depreciable assets - NOTE 5:			
Buildings and improvements	726,302	754	727,056
Land improvements	67,544	-	67,544
Machinery and equipment	9,605	34,639	44,244
Vehicles	3,320	-	3,320
Office equipment	8,649	-	8,649
Utility systems	-	4,433,336	4,433,336
Total Assets	\$ 3,637,246	\$ 5,000,786	\$ 8,638,032
Liabilities			
Accounts payable	\$ 90,787	\$ 19,812	\$ 110,599
Payroll liabilities	286	-	286
Noncurrent liabilities:			
Due within one year	26,000	-	26,000
Due in more than one year	355,100	-	355,100
Total Liabilities	\$ 472,173	\$ 19,812	\$ 491,985
Net Assets			
Invested in capital asset, net of related debt	\$ 463,095	\$ 4,468,729	\$ 4,931,824
Restricted	58,653	-	58,653
Unrestricted	2,643,325	512,245	3,155,570
TOTAL NETS ASSETS	\$ 3,165,073	\$ 4,980,974	\$ 8,146,047

The accompanying notes are an integral part of these financial statements.

WATERVLiet TOWNSHIP
Statement of Activities
March 31, 2006

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
Legislative	\$ 16,887	\$ -	\$ -	\$ -
General government	309,864	82,685	-	-
Public safety	414,643	84,087	-	-
Public works	135,222	2,322	-	-
Community and economic development	35,980	-	-	-
Recreation and cultural	9,070	-	-	-
Interest on long-term debt	16,490	-	-	-
Depreciation, unallocated	22,616	-	-	-
Total Governmental Activities	<u>\$ 960,772</u>	<u>\$ 169,094</u>	<u>\$ -</u>	<u>\$ -</u>
Business-Type Activities				
Sewer Fund	<u>\$ 490,660</u>	<u>\$ 372,950</u>	<u>\$ -</u>	<u>\$ -</u>
Total Business-Type Activities	<u>\$ 490,660</u>	<u>\$ 372,950</u>	<u>\$ -</u>	<u>\$ -</u>
Total Primary Government	<u>\$ 1,451,432</u>	<u>\$ 542,044</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes
State revenue sharing
Interest
Other revenue
Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

NET ASSETS - END OF YEAR

The accompanying notes are an integral part of these financial statements.

**Net (Expense) Revenue and
Changes in Net Assets
Primary Government**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (16,887)	\$ -	\$ (16,887)
(227,179)	-	(227,179)
(330,556)	-	(330,556)
(132,900)	-	(132,900)
(35,980)	-	(35,980)
(9,070)	-	(9,070)
(16,490)	-	(16,490)
<u>(22,616)</u>	<u>-</u>	<u>(22,616)</u>
<u>\$ (791,678)</u>	<u>\$ -</u>	<u>\$ (791,678)</u>
<u>\$ -</u>	<u>\$ (117,710)</u>	<u>\$ (117,710)</u>
<u>\$ -</u>	<u>\$ (117,710)</u>	<u>\$ (117,710)</u>
<u>\$ (791,678)</u>	<u>\$ (117,710)</u>	<u>\$ (909,388)</u>
\$ 623,994	\$ -	\$ 623,994
241,589	-	241,589
55,025	14,600	69,625
26,154	-	26,154
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 946,762</u>	<u>\$ 14,600</u>	<u>\$ 961,362</u>
\$ 155,084	\$ (103,110)	\$ 51,974
<u>3,009,989</u>	<u>5,084,084</u>	<u>8,094,073</u>
<u>\$ 3,165,073</u>	<u>\$ 4,980,974</u>	<u>\$ 8,146,047</u>

**WATERVLIET TOWNSHIP
GOVERNMENTAL FUNDS
Balance Sheet
March 31, 2006**

	<u>General Fund</u>	<u>Police Fund</u>	<u>Road Maintenance Fund</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$ 987,246	\$ 270,403	\$ 735,716
Receivables:			
Accounts	22,498	-	-
Taxes	3,227	10,189	19,322
Loans	-	-	200,000
Due from other funds	10,701	-	-
Land contract	-	-	-
Prepaid expenses	890	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Current Assets	\$ 1,024,562	\$ 280,592	\$ 955,038
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 1,024,562	\$ 280,592	\$ 955,038
	<u> </u>	<u> </u>	<u> </u>
Liabilities and Fund Balances			
Current Liabilities:			
Accounts payable	\$ 9,081	\$ 81,706	\$ -
Payroll liabilities	286	-	-
Deferred revenue	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Current Liabilities	\$ 9,367	\$ 81,706	\$ -
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	\$ 9,367	\$ 81,706	\$ -
	<u> </u>	<u> </u>	<u> </u>
Fund Balances:			
Reserved for:			
Restricted purposes	\$ -	\$ -	\$ -
Unreserved, reported in			
General Fund	1,015,195	-	-
Special Revenue	-	198,886	955,038
Capital Projects	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	\$ 1,015,195	\$ 198,886	\$ 955,038
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,024,562	\$ 280,592	\$ 955,038
	<u> </u>	<u> </u>	<u> </u>

The accompanying notes are an integral part of these financial statements.

<u>Fire Millage Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,032	\$ 168,023	\$ 2,165,420
-	2,349	24,847
6,354	-	39,092
-	-	200,000
-	-	10,701
-	65,101	65,101
-	-	890
<u>\$ 10,386</u>	<u>\$ 235,473</u>	<u>\$ 2,506,051</u>
<u>\$ 10,386</u>	<u>\$ 235,473</u>	<u>\$ 2,506,051</u>
\$ -	\$ -	\$ 90,787
-	-	286
-	65,101	65,101
<u>\$ -</u>	<u>\$ 65,101</u>	<u>\$ 156,174</u>
<u>\$ -</u>	<u>\$ 65,101</u>	<u>\$ 156,174</u>
\$ -	\$ 58,653	\$ 58,653
-	-	1,015,195
10,386	116,007	1,280,317
-	(4,288)	(4,288)
<u>\$ 10,386</u>	<u>\$ 170,372</u>	<u>\$ 2,349,877</u>
<u>\$ 10,386</u>	<u>\$ 235,473</u>	<u>\$ 2,506,051</u>

WATERVLIET TOWNSHIP
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Assets
For the Year Ended March 31, 2006

Fund balances of governmental funds	\$ 2,349,877
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Governmental funds report outlay as expenditures, but they are recorded as capital assets in the government-wide statements and depreciated over their useful lives.	844,195
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Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds.	(381,100)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>352,101</u>
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Net Assets of Governmental Activities	<u>\$ 3,165,073</u>
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**WATERVLIET TOWNSHIP
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended March 31, 2006**

	<u>General Fund</u>	<u>Police Funds</u>	<u>Road Maintenance Fund</u>
Revenues:			
Taxes	\$ 66,027	\$ 144,776	\$ 285,541
Licenses and permits	15,542	-	-
State grants	243,911	-	-
Charges for services	54,816	-	-
Interest and rents	74,013	-	8,275
Other revenue	<u>18,427</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>\$ 472,736</u>	<u>\$ 144,776</u>	<u>\$ 293,816</u>
Expenditures:			
Legislative	\$ 43,747	\$ -	\$ -
General government	289,908	-	-
Public safety	9,482	144,364	-
Public works	6,317	-	100,244
Recreation and cultural	31,947	-	-
Other	32,492	-	-
Debt service	<u>40,090</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 453,983</u>	<u>\$ 144,364</u>	<u>\$ 100,244</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 18,753</u>	<u>\$ 412</u>	<u>\$ 193,572</u>
Other Financing Sources (Uses):			
Proceeds from sale of building	\$ -	\$ -	\$ -
Operating transfers in (out)	<u>(22,778)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>\$ (22,778)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	\$ (4,025)	\$ 412	\$ 193,572
Fund Balances, Beginning of Year	<u>1,019,220</u>	<u>198,474</u>	<u>761,466</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,015,195</u>	<u>\$ 198,886</u>	<u>\$ 955,038</u>

The accompanying notes are an integral part of these financial statements.

<u>Fire Millage Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 94,263	\$ 33,384	\$ 623,991
-	65,032	80,574
-	-	243,911
-	4,850	59,666
65	14,232	96,585
-	10,696	29,123
<u>\$ 94,328</u>	<u>\$ 128,194</u>	<u>\$ 1,133,850</u>
\$ -	\$ -	\$ 43,747
-	7,265	297,173
177,584	88,885	420,315
-	-	106,561
-	-	31,947
-	-	32,492
-	-	40,090
<u>\$ 177,584</u>	<u>\$ 96,150</u>	<u>\$ 972,325</u>
<u>\$ (83,256)</u>	<u>\$ 32,044</u>	<u>\$ 161,525</u>
\$ -	\$ 3,701	\$ 3,701
<u>22,778</u>	<u>-</u>	<u>-</u>
<u>\$ 22,778</u>	<u>\$ 3,701</u>	<u>\$ 3,701</u>
\$ (60,478)	\$ 35,745	\$ 165,226
<u>70,864</u>	<u>134,627</u>	<u>2,184,651</u>
<u>\$ 10,386</u>	<u>\$ 170,372</u>	<u>\$ 2,349,877</u>

WATERVLIET TOWNSHIP
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2006

Net change in fund balances - total governmental funds	\$	165,226
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Amounts reported for *governmental activities* in the statement of activities.

Governmental funds report capital outlay as expenditures, but they are recorded as capital assets in the government-wide statements and depreciated over their useful lives. This is the amount by which capital outlays exceeded depreciation in the current period.		(12,042)
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Long-term liabilities are not due and payable in the current period nor are they reflected as reductions in the funds.		23,600
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(21,700)
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Change in Net Assets of Governmental Funds	\$	<u>155,084</u>
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**WATERVLIET TOWNSHIP
PROPRIETARY FUND
Statement of Net Assets
March 31, 2006**

	<u>Sewer Fund</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 498,725
Accounts receivables	26,934
Delinquent sanitation charges	5,767
Prepaid insurance	<u>631</u>
Total Current Assets	<u>\$ 532,057</u>
Noncurrent Assets:	
Building and improvements	\$ 1,080
Plant interceptors	1,612,787
Sewer collection mains	5,604,014
Equipment	194,182
Accumulated depreciation	<u>(2,943,334)</u>
Total Noncurrent Assets	<u>\$ 4,468,729</u>
TOTAL ASSETS	<u>\$ 5,000,786</u>
Liabilities and Fund Balances	
Current Liabilities:	
Accounts payable	<u>\$ 19,812</u>
Total Current Liabilities	<u>\$ 19,812</u>
Total Liabilities	<u>\$ 19,812</u>
Fund Balance:	
Invested in capital assets, net of related debt	\$ 4,468,729
Unrestricted	<u>512,245</u>
Total Fund Balance	<u>\$ 4,980,974</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,000,786</u>

The accompanying notes are an integral part of these financial statements.

**WATERVLIET TOWNSHIP
PROPRIETARY FUND
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended March 31, 2006**

	<u>Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 372,950
Operating Expenses:	
Plant interceptor operating expenses	\$ 169,298
Salaries and wages	60,579
Retirement	1,759
Payroll taxes	4,634
Supplies	3,169
Professional services	42,425
Insurance	17,786
Utilities	8,587
Contractual services	989
Depreciation	123,288
Transportation	1,680
Storage rental	1,200
Repairs and maintenance	21,912
Miscellaneous	28,265
Capital outlay	5,089
	<u>490,660</u>
Total Operating Expenses	\$ 490,660
Operating Loss	\$ (117,710)
Nonoperating Revenue (Expense):	
Interest revenue	\$ 14,600
Total Nonoperating Revenue (Expense)	\$ 14,600
Change in Net Assets	\$ (103,110)
Total Net Assets, Beginning of Year	<u>5,084,084</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 4,980,974</u>

The accompanying notes are an integral part of these financial statements.

**WATERVLiet TOWNSHIP
PROPRIETARY FUND
Statement of Cash Flows
For the Year Ended March 31, 2006**

Cash Flows From Operating Activities:	
Cash receipts from customers	\$ 368,392
Payments to employees	(60,579)
Payments of benefits on behalf of employees	(8,019)
Payments to suppliers	<u>(300,400)</u>
Net cash provided (used) by operating activities	<u>\$ (606)</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase of fixed assets	<u>\$ (114,993)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (114,993)</u>
Cash Flows From Investing Activities:	
Interest income	<u>\$ 14,600</u>
Net cash provided (used) by investing activities	<u>\$ 14,600</u>
Net Increase (decrease) in cash and cash equivalents	\$ (100,999)
Cash Balance, Beginning of the Year	<u>599,724</u>
CASH BALANCE, END OF THE YEAR	<u>\$ 498,725</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (117,710)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	\$ 123,288
(Increase) decrease in:	
Accounts receivable	23,202
Delinquent sanitation charges	(15,713)
Increase (decrease) in:	
Accounts payable	(12,047)
Payroll liabilities	<u>(1,626)</u>
Total adjustments	<u>\$ 117,104</u>
Net cash provided (used) by operating activities	<u>\$ (606)</u>

The accompanying notes are an integral part of these financial statements.

**WATERVLIET TOWNSHIP
FIDUCIARY FUNDS
Statement of Net Assets
March 31, 2006**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 13,586
Due from other governments	<u>710</u>
TOTAL ASSETS	<u>\$ 14,296</u>
Liabilities	
Due to other funds	\$ 10,701
Due to other governmental units	<u>3,595</u>
TOTAL LIABLILITES	<u>\$ 14,296</u>

The accompanying notes are an integral part of these financial statements.

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by Watervliet Township, Michigan, conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below:

A. Reporting Entity

In evaluating how to define the Township's reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Township's reporting entity.

Coloma Watervliet Area Economic Development Corporation. This potential component unit is disclosed as a jointly governed organization because the Township has one representative on the regional council of government and does not have an ongoing financial interest in or a financial responsibility for the corporation. See Note 4 for further information on the jointly governed organization.

Watervliet Joint Cemetery, Watervliet Joint Fire Board, Watervliet Joint Airport, and Paw Paw Lake Joint Sewage Board. These potential component units are disclosed as joint ventures because the Township; (1) selects governing authority, (2) approves the budget, (3) is responsible for fund deficits, and (4) provides subsidies. See Note 5 for further information on the joint ventures.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Township. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Watervliet Township reports the following major governmental funds:

The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Police Fund** is used to account for police services.

The **Road Maintenance Fund** is used to account for the repairs, maintenance and general upkeep of the Township's roads.

The **Fire Millage Fund** is used to account for revenues collected and monies expended for the purpose of maintaining fire response service to the community.

Watervliet Township reports the following major proprietary fund:

The **Sewer Operating Fund** accounts for the activities related to the Township's share of the Paw Paw Lake Wastewater Treatment Plant's sanitary collections system and wastewater treatment.

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued

Additionally, Watervliet Township reports the following fund type:

The **Agency Funds** are used to account for assets as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Sewer Fund and other functions and segments. Elimination of these charges would distort the direct costs and program revenues for the functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first. Unrestricted resources are used as they are needed.

D. Budgetary Data

Prior to an annual meeting the Supervisor submits, to the Board of Trustees, a proposed operating budget for the fiscal year commencing April 1. The budget includes proposed expenditures and the means of financing them.

A public hearing is conducted before final adoption by the Board of Trustees.

The budget is formally accepted in summary form at the annual budget meeting.

The Supervisor and Clerk are authorized to transfer budgeted amounts between departments within a fund; however, any revisions that alter total expenditures of any fund must be approved by the Board of Trustees.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by Watervliet Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Capital Assets - Continued

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

<u>Asset Class</u>	<u>Depreciable Life</u>
Land	N/A
Buildings	25-50 years
Equipment	5-15 years
Vehicles	3-12 years
Utility Systems	10-40 years
Land Improvements	15-25 years

F. Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statements of net assets. The Township does not currently have any bonded debt; however, if they were to issue a bond, the bond premium or discount, as well as issuance costs, would be deferred and amortized over the life of the bonds using straight-line amortization. Bonds payable would be reported net of the applicable bond premium or discount. Bond issuance costs would be reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types would recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances would be reported as other financing sources. Bond discounts would be reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, would be reported as debt service.

G. Property Taxes

Township property taxes are levied on December 1 and are payable without penalty through February 28. The Township bills and collects its own property taxes and also taxes for the County and several school districts within its jurisdiction. Collections and remittances of all taxes are accounted for in the Current Tax Agency Fund. Township property tax revenues are recognized as revenues in the calendar year following the levy date.

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. Cash Flows Statement

For purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments, with a maturity of six months or less when purchased, to be cash equivalents.

I. Investments

Investments are stated at cost or amortized cost, which approximates market.

All highly liquid investments (including restricted assets) with a maturity of one year or less when purchased are defined as cash equivalents.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Township's deposits, which include cash and certificates of deposit, are carried at cost. Act 217, PA 1982, authorizes the Township to deposit and invest in the accounts of Federally insured banks, insured credit unions, savings and loan associations and bonds and other direct obligations of the associations and bonds and other direct obligations of the United States. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions that do not have a branch location in Michigan. The Township's deposits are in accordance with statutory authority at March 31, 2006. The Township does not currently have an investment policy.

Following is a reconciliation of deposit and investment balances as of March 31, 2006:

Statement of Net Assets	
Cash and cash equivalents	\$ 2,664,145
Statement of Fiduciary Net Assets	
Cash and cash equivalents	<u>13,586</u>
Total	<u>\$ 2,677,731</u>
Deposits and Investments:	
Bank deposits:	
Checking and savings accounts	\$ 2,066,226
Certificates of deposit	610,989
Cash on hand	<u>516</u>
Total	<u>\$ 2,677,731</u>

As of March 31, 2006, \$2,510,487 of the Township's bank balance of \$2,711,512 was exposed to custodial credit risk because it was uninsured and uncollateralized.

WATERVLIT TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 3 - JOINT VENTURES

Watervliet Joint Cemetery

The Watervliet Joint Cemetery's purpose is to maintain and sell the lots of the city-township cemetery. The Watervliet Joint Cemetery's Board of Trustees is comprised of three trustees appointed by the City of Watervliet and three trustees appointed by Watervliet Township.

Any and all costs incidental to the maintenance and operation of the Watervliet Joint Cemetery, which are not covered by sales of lots, are shared equally by the City of Watervliet and Watervliet Township. Watervliet Township's contribution for the year ending March 31, 2006 totals \$5,000.

A copy of the March 31, 2005 audited financial statements is available for review at the Township Hall.

Watervliet Joint Fire Board

The Watervliet Joint Fire Board's purpose is to supervise, operate, maintain and provide fire service for the City of Watervliet and Watervliet Township. The Watervliet Joint Fire Board's Board of Trustees is comprised of three trustees appointed by the City of Watervliet and three trustees appointed by Watervliet Township.

Any and all costs incidental to the maintenance and operation of the Watervliet Joint Fire Board are shared by the City of Watervliet and Watervliet Township. Watervliet Township's contribution for the year ending March 31, 2006 totals \$177,584.

A copy of the March 31, 2005 audited financial statements is available for review at the Township Hall.

Watervliet Joint Airport

The Watervliet Joint Airport's purpose is to further public interest and aeronautical progress at the airport jointly owned by the City of Watervliet and the Township of Watervliet, and known as Watervliet Municipal Airport. The board consists of six members, three from each Local Unit.

The Township of Watervliet and the City of Watervliet contribute equal shares toward the maintenance and operation of the airport and aeronautical facilities, and revenues in excess of the expense of maintaining and operating the facility are to be equally divided between the two municipalities. Watervliet Township's contribution for the year ending March 31, 2006 totals \$4,500.

There are no audited financial statements available for review.

Paw Paw Lake Joint Sewage Board

The Paw Paw Lake Joint Sewage Board's purpose is to control, manage, and operate the Paw Paw Lake Area Wastewater Plant. The board consists of eight appointed members; two from each Participating Municipality. The municipalities that participate in the sewage disposal contract include the Township of Watervliet, the City of Watervliet, the Township of Coloma, and the City of Coloma.

Watervliet Township is billed monthly by the Paw Paw Lake Area Wastewater Plant at a per gallon rate that is based upon the Board's operating expenses plus expenditures for properties for the fiscal year. Total costs to Watervliet Township for the year ended March 31, 2006 equaled \$169,298.

A copy of the most recent audited financial statements, for the fiscal year ending March 31, 2005, is available for review at the Township Hall.

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 4 - JOINTLY GOVERNED ORGANIZATIONS

Coloma Watervliet Area Economic Development Corporation

The Township and City of Watervliet, the Township and City of Coloma, and the Township of Bainbridge participate jointly in the operation of the Coloma Watervliet Area Economic Development Corporation. The Corporation is organized for the specific and primary purpose of furthering the common interests of the Greater Coloma Watervliet Area by promoting the retention and growth of commercial and industrial enterprises.

The funds required are allocated among the Participating Municipalities according to a formula approved by the board of directors. The formula contains a per capita, real property tax valuation to assure equality among the five Participating Municipalities.

Watervliet Township's appropriation to the Coloma Watervliet Area Economic Development Corporation for the fiscal year ended March 31, 2006 was \$23,492.

NOTE 5 - CAPITAL ASSETS

Capital assets activities for the year ended March 31, 2006 were as follows:

	<u>Balance</u> <u>April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2006</u>
Governmental Activities				
Land	\$ 28,775	\$ -	\$ -	\$ 28,775
Buildings and Improvements	\$ 791,625	\$ -	\$ -	\$ 791,625
Land Improvements	101,588	-	-	101,588
Machinery and Equipment	12,000	10,574	-	22,574
Vehicles	11,717	-	-	11,717
Office Equipment	23,517	-	(4,896)	18,621
Subtotal	\$ 940,447	\$ 10,574	\$ (4,896)	\$ 946,125
Less: Accumulated Depreciation	(112,985)	(22,616)	4,896	(130,705)
Total Capital Assets Other Than Land	\$ 827,462	\$ (12,042)	\$ -	\$ 815,420

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 5 - CAPITAL ASSETS - Continued

Governmental Activities depreciation for fiscal year ended March 31, 2006 amounted to \$22,616. The Township determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions. Accordingly, all governmental depreciation is reported as unallocated on the Statement of Activities.

	<u>Balance</u> <u>April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2006</u>
Business Activities				
Buildings and improvements	\$ 1,080	\$ -	\$ -	\$ 1,080
Machinery and Equipment	85,957	13,170	-	99,127
Vehicles	34,574	-	-	34,574
Utility Systems	7,116,975	99,825		7,216,800
Office Equipment	<u>63,381</u>	<u>1,997</u>	<u>(4,896)</u>	<u>60,482</u>
Subtotal	\$ 7,301,967	\$ 114,992	\$ (4,896)	\$ 7,412,063
Less: Accumulated Depreciation	<u>(2,824,943)</u>	<u>(123,287)</u>	<u>4,896</u>	<u>(2,943,334)</u>
Total Capital Assets	<u>\$ 4,477,024</u>	<u>\$ (8,295)</u>	<u>\$ -</u>	<u>\$ 4,468,729</u>

NOTE 6 - CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the primary government for the year ended March 31, 2006:

	<u>Municipal</u> <u>Purchase</u> <u>Contracts</u>
As of April 1, 2005	\$ 404,700
Additions	-
(Reductions)	<u>(23,600)</u>
As of March 31, 2006	<u>\$ 381,100</u>

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 6 - CHANGES IN LONG-TERM DEBT - Continued

Long-term debt at March 31, 2006 is comprised of the following individual issues:

	<u>Balance</u> <u>April 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>March 31, 2006</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities -					
Primary Activities					
\$360,000 2000 municipal purchase contract (refinanced in 2005) with Fifth Third Bank due in annual installments of \$16,000 to \$36,000 through September 1, 2015; interest at 4.325% - General Fund	\$ 305,000	\$ -	\$ 18,000	\$ 287,000	\$ 20,000
\$110,000 municipal purchase contract with Fifth Third Bank due in annual installments of \$5,300 to \$10,000 through September 1, 2017; interest at 3.87% - General Fund	99,700	-	5,600	94,100	6,000
Total Primary Government	<u>\$ 404,700</u>	<u>\$ -</u>	<u>\$ 23,600</u>	<u>\$ 381,100</u>	<u>\$ 26,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ending</u> <u>March 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 26,000	\$ 15,488	\$ 41,488
2008	28,300	14,377	42,677
2009	30,600	13,155	43,755
2010	33,000	11,824	44,824
2011	35,300	10,388	45,688
2012-2016	217,900	27,470	245,370
2017	10,000	203	10,203
Total	<u>\$ 381,100</u>	<u>\$ 92,905</u>	<u>\$ 474,005</u>

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of March 31, 2006, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Trust and Agency	\$ 712
	Current Tax	<u>9,989</u>
	Total	<u>\$ 10,701</u>

NOTE 8 - RECEIVABLES

Receivables at year end, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Taxes	\$ 41,442	\$ -
Accounts	22,497	32,701
Notes:		
Land Contract	65,101	-
Joint Fire Board	287,000	-
Berrien County Road Commission	<u>200,000</u>	<u>-</u>
Total	<u>\$ 616,040</u>	<u>\$ 32,701</u>

NOTE 9 - RISK MANAGEMENT

The Township carries insurance for risks of loss, including torts; theft of, damage to, and destruction of assets; error and omissions; workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in the past fiscal year.

NOTE 10 - RESERVED FUND BALANCES

The fund balance in the Cemetery Perpetual Care Fund has been designated reserved. It is restricted for the purpose of continuing maintenance and upkeep of the cemetery once the General Cemetery Fund's fund balance has been depleted and is no longer able to produce revenue to support its operation.

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 11 - EXPENDITURES OVER BUDGET

P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved General Fund and Police Fund budgets of the Township were adopted at the department level. During the year ended March 31, 2006, the Township incurred expenditures in certain budgetary functions, which were in excess of the amount appropriated as follows:

	<u>Activity</u> <u>Appropriation</u>		<u>Activity</u> <u>Expenditures</u>		<u>Negative</u> <u>Budget Activity</u>
General Fund:					
General government	\$ 271,638	\$	289,908	\$	(18,270)
Legislative	34,606		43,747		(9,141)
Public safety	8,230		9,482		(1,252)
Public works	6,000		6,317		(317)
Fire Millage Fund:					
Public safety	90,000		177,584		(87,584)

NOTE 12 - FUND DEFICIT

The Township's Improvement Fund has a fund deficit. During the March 31, 2001 fiscal year, the Township completed construction on a new Township Hall located on M-140 in the Township. The Township has sold the old building on land contract. The proceeds from the sale of the building will reduce and eventually eliminate the deficit.

NOTE 13 - FIRE CONSTRUCTION LOAN

In 2001 the Watervliet Joint Fire Board constructed an addition to the fire station. Since the Fire Board is a joint board, they were not allowed to take out a loan. The Township agreed to enter into a Municipal Purchase Contract to assist in the financing of the new addition. To enable the Township to enter into the Municipal Purchase Contract, the Fire Board and the City of Watervliet transferred title of the Fire Board real property to the Township by quitclaim deed. As payments on the contract become due, the Fire Board forwards the payments to the Township. The obligation to pay the loan has been included in the Township's Long-Term Debt (Note 6), and the Fire Board's obligation to the Township has been included on the Statement of Net Assets as a loan receivable. When the contract is paid in full the Township will reconvey the property to the Fire Board by quitclaim deed.

NOTE 14 - OPERATING LEASE

On August 8, 2002, Watervliet Township entered into a lease agreement with Medic 1 Ambulance. The lease commenced on February 1, 2003. Medic 1 Ambulance is leasing approximately 760 square feet of living area and one stall garage of approximately 793 square feet. The initial term of the lease is fifteen years. Medic 1 Ambulance will pay \$828 a month as rent the first five years of the lease, \$910 a month as rent for the second five years of the lease, and \$1,001 a month as rent for the third five years of the lease.

**WATERVLIT TOWNSHIP
GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Taxes	\$ 61,623	\$ 61,623	\$ 66,027	\$ 4,404
Licenses and permits	13,000	13,000	15,542	2,542
State grants	242,300	242,300	243,911	1,611
Charges for services	64,000	64,000	54,816	(9,184)
Interest and rents	45,133	45,133	74,013	28,880
Other revenue	11,500	11,500	18,427	6,927
Total Revenues	<u>\$ 437,556</u>	<u>\$ 437,556</u>	<u>\$ 472,736</u>	<u>\$ 35,180</u>
Expenditures:				
Legislative	\$ 34,606	\$ 34,606	\$ 43,747	\$ (9,141)
General government	271,638	271,638	289,908	(18,270)
Public safety	8,230	8,230	9,482	(1,252)
Public works	6,000	6,000	6,317	(317)
Recreation and cultural	41,500	41,500	31,947	9,553
Other	35,492	35,492	32,492	3,000
Debt service	40,090	40,090	40,090	-
Total Expenditures	<u>\$ 437,556</u>	<u>\$ 437,556</u>	<u>\$ 453,983</u>	<u>\$ (16,427)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 18,753	\$ 18,753
Other Financing Sources (Uses):				
Operating transfers out	-	-	(22,778)	(22,778)
Net Change in Fund Balance	\$ -	\$ -	\$ (4,025)	\$ (4,025)
Fund Balance, Beginning of Year	<u>1,019,220</u>	<u>1,019,220</u>	<u>1,019,220</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 1,019,220</u>	<u>\$ 1,019,220</u>	<u>\$ 1,015,195</u>	<u>\$ (4,025)</u>

**WATERVLIET TOWNSHIP
POLICE FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Taxes	\$ 137,502	\$ 137,502	\$ 144,776	\$ 7,274
Total Revenues	\$ 137,502	\$ 137,502	\$ 144,776	\$ 7,274
Expenditures:				
Public Safety:				
Professional and contractual services	\$ 99,735	\$ 151,488	\$ 144,364	\$ 7,124
Total Expenditures	\$ 99,735	\$ 151,488	\$ 144,364	\$ 7,124
Net Change in Fund Balance	\$ 37,767	\$ (13,986)	\$ 412	\$ 14,398
Fund Balance, Beginning of Year	198,474	198,474	198,474	-
FUND BALANCE, END OF YEAR	\$ 236,241	\$ 184,488	\$ 198,886	\$ 14,398

**WATERVLIET TOWNSHIP
ROAD MAINTENANCE FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Taxes	\$ 273,205	\$ 273,205	\$ 285,541	\$ 12,336
Interest	300	300	8,275	7,975
Total Revenues	<u>\$ 273,505</u>	<u>\$ 273,505</u>	<u>\$ 293,816</u>	<u>\$ 20,311</u>
Expenditures:				
Public Works:				
Payroll	\$ 7,000	\$ 7,000	\$ -	\$ 7,000
Payroll taxes	536	536	-	536
Professional services	225,464	225,464	93,535	131,929
Repairs and maintenance	12,000	12,000	1,709	10,291
Road matching funds	5,000	5,000	5,000	-
Miscellaneous	5,000	5,000	-	5,000
Total Expenditures	<u>\$ 255,000</u>	<u>\$ 255,000</u>	<u>\$ 100,244</u>	<u>\$ 154,756</u>
Net Change in Fund Balance	\$ 18,505	\$ 18,505	\$ 193,572	\$ 175,067
Fund Balance, Beginning of Year	<u>761,466</u>	<u>761,466</u>	<u>761,466</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 779,971</u>	<u>\$ 779,971</u>	<u>\$ 955,038</u>	<u>\$ 175,067</u>

**WATERVLIET TOWNSHIP
FIRE MILLAGE FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 89,857	\$ 89,857	\$ 94,263	\$ 4,406
Interest	-	-	65	65
Total Revenues	<u>\$ 89,857</u>	<u>\$ 89,857</u>	<u>\$ 94,328</u>	<u>\$ 4,471</u>
Expenditures:				
Public Safety:				
Aid to Watervliet Fire Board	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 177,584</u>	<u>\$ (87,584)</u>
Total Expenditures	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 177,584</u>	<u>\$ (87,584)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (143)	\$ (143)	\$ (83,256)	\$ (83,113)
Other Financing Sources (Uses):				
Operating transfers in	-	-	22,778	22,778
Net Change in Fund Balance	\$ (143)	\$ (143)	\$ (60,478)	\$ (60,335)
Fund Balance, Beginning of Year	<u>70,864</u>	<u>70,864</u>	<u>70,864</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 70,721</u>	<u>\$ 70,721</u>	<u>\$ 10,386</u>	<u>\$ (60,335)</u>

**WATERVLIET TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
Description of Funds**

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Ambulance Fund - This fund is used to account for revenues collected and monies expended for the purpose of maintaining ambulance service to the community.

Cemetery General Fund - This fund is used to account for revenues collected and monies expended for the purpose of maintaining the cemetery.

Cemetery Perpetual Care Fund - This fund is used to account for revenues collected and monies expended for the purpose of providing for continued operations of the cemetery after funds from the Cemetery General Fund have been exhausted.

Building Department Fund - This fund is used to account for revenues collected and monies expended for the purpose of funding planning, zoning and inspection functions.

**WATERVLIET TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
March 31, 2006**

	<u>Special Revenue</u>	<u>Improvement Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 172,311	\$ (4,288)	\$ 168,023
Receivables	2,349	-	2,349
Land contract	-	65,101	65,101
	<u> </u>	<u> </u>	<u> </u>
Total Current Assets	\$ 174,660	\$ 60,813	\$ 235,473
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 174,660	\$ 60,813	\$ 235,473
	<u> </u>	<u> </u>	<u> </u>
Liabilities and Fund Balances			
Current Liabilities:			
Deferred revenue	\$ -	\$ 65,101	\$ 65,101
	<u> </u>	<u> </u>	<u> </u>
Total Current Liabilities	\$ -	\$ 65,101	\$ 65,101
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	\$ -	\$ 65,101	\$ 65,101
	<u> </u>	<u> </u>	<u> </u>
Fund Balances:			
Reserved for:			
Restricted purposes	\$ 58,653	\$ -	\$ 58,653
Unreserved, reported in			
Special revenue	116,007	-	116,007
Capital projects	-	(4,288)	(4,288)
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	\$ 174,660	\$ (4,288)	\$ 170,372
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 174,660	\$ 60,813	\$ 235,473
	<u> </u>	<u> </u>	<u> </u>

WATERVLIET TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended March 31, 2006

	<u>Special Revenue</u>	<u>Improvement Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes	\$ 33,384	\$ -	\$ 33,384
Charges for services	4,850	-	4,850
Interest and rents	1,948	12,284	14,232
Licenses and permits	65,032	-	65,032
Other revenue	10,696	-	10,696
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 115,910	\$ 12,284	\$ 128,194
	<u> </u>	<u> </u>	<u> </u>
Expenditures			
General government	\$ 7,265	\$ -	\$ 7,265
Public safety	88,885	-	88,885
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 96,150	\$ -	\$ 96,150
	<u> </u>	<u> </u>	<u> </u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 19,760	\$ 12,284	\$ 32,044
	<u> </u>	<u> </u>	<u> </u>
Other Financing Sources			
Proceeds from sale of building	-	3,702	3,702
	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balance	\$ 19,760	\$ 15,986	\$ 35,746
	<u> </u>	<u> </u>	<u> </u>
Fund Balance, Beginning of Year	154,900	(20,274)	134,626
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE, END OF YEAR	\$ 174,660	\$ (4,288)	\$ 170,372
	<u> </u>	<u> </u>	<u> </u>

**WATERVLIET TOWNSHIP
GENERAL FUND
Statement of Revenues, Compared to Budget
For the Year Ended March 31, 2006
With Comparative Actual Amounts for the Year Ended March 31, 2005**

	<u>2006</u>		<u>Variance -</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>2005</u>
			<u>(Negative)</u>	<u>Actual</u>
Revenues:				
Taxes:				
Current tax collections	\$ 56,423	\$ 55,222	\$ (1,201)	\$ 52,257
Delinquent taxes	4,000	9,535	5,535	4,612
Trailer fees	1,200	1,270	70	1,306
Total Taxes	<u>\$ 61,623</u>	<u>\$ 66,027</u>	<u>\$ 4,404</u>	<u>\$ 58,175</u>
 Licenses and permits:				
Other licenses and fees	<u>\$ 13,000</u>	<u>\$ 15,542</u>	<u>\$ 2,542</u>	<u>\$ 12,515</u>
 State Grants	<u>\$ 242,300</u>	<u>\$ 243,911</u>	<u>\$ 1,611</u>	<u>\$ 245,869</u>
 Charges for services:				
Landfill impact fees	<u>\$ 64,000</u>	<u>\$ 54,816</u>	<u>\$ (9,184)</u>	<u>\$ 69,461</u>
 Interest	<u>\$ 4,400</u>	<u>\$ 32,452</u>	<u>\$ 28,052</u>	<u>\$ 9,978</u>
 Rents	<u>\$ 40,733</u>	<u>\$ 41,561</u>	<u>\$ 828</u>	<u>\$ 41,447</u>
 Other revenue	<u>\$ 11,500</u>	<u>\$ 18,427</u>	<u>\$ 6,927</u>	<u>\$ 19,707</u>
 TOTAL REVENUES	<u>\$ 437,556</u>	<u>\$ 472,736</u>	<u>\$ 35,180</u>	<u>\$ 457,152</u>

**WATERVLIET TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended March 31, 2006
With Comparative Actual Amounts for the Year Ended March 31, 2005**

	<u>2006</u>		<u>Variance -</u>	<u>2005</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Legislative:				
Township Board:				
Salaries	\$ 4,600	\$ 6,184	\$ (1,584)	\$ 3,469
Payroll taxes	406	473	(67)	265
Contributions - Other:				
City cemetery	5,000	5,000	-	5,000
Airport	4,500	4,500	-	4,500
Airport insurance and bonds	2,600	1,285	1,315	1,285
Audit fees	6,000	9,974	(3,974)	5,600
Education and training	5,500	10,230	(4,730)	3,768
Data processing	6,000	6,101	(101)	5,610
Total Legislative	<u>\$ 34,606</u>	<u>\$ 43,747</u>	<u>\$ (9,141)</u>	<u>\$ 29,497</u>
General Government:				
Supervisor:				
Salaries	\$ 16,543	\$ 16,543	\$ -	\$ 15,756
Payroll taxes	1,266	1,434	(168)	1,205
Fringe benefits	-	2,200	(2,200)	-
Total Supervisor	<u>\$ 17,809</u>	<u>\$ 20,177</u>	<u>\$ (2,368)</u>	<u>\$ 16,961</u>
Assessor and Board of Review:				
Salaries and wages	\$ 29,100	\$ 24,029	\$ 5,071	\$ 23,644
Payroll taxes	306	242	64	234
Total Assessor and Board of Review	<u>\$ 29,406</u>	<u>\$ 24,271</u>	<u>\$ 5,135</u>	<u>\$ 23,878</u>
Clerk:				
Salaries and wages	\$ 15,620	\$ 15,620	\$ -	\$ 13,646
Payroll taxes	1,194	1,194	-	1,044
Total Clerk	<u>\$ 16,814</u>	<u>\$ 16,814</u>	<u>\$ -</u>	<u>\$ 14,690</u>
Treasurer:				
Salaries and wages	\$ 15,620	\$ 15,620	\$ -	\$ 14,876
Payroll taxes	1,194	1,194	-	1,138
Total Treasurer	<u>\$ 16,814</u>	<u>\$ 16,814</u>	<u>\$ -</u>	<u>\$ 16,014</u>

WATERVLiet TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended March 31, 2006
With Comparative Actual Amounts for the Year Ended March 31, 2005

	<u>2006</u>		<u>Variance -</u>	<u>2005</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
General Government, continued:				
Administrative and Office:				
Salaries and wages	\$ 65,000	\$ 63,675	\$ 1,325	\$ 60,236
Payroll taxes	4,973	4,912	61	4,608
Retirement	1,950	999	951	941
Office supplies	7,472	6,043	1,429	12,512
Professional services	10,000	28,162	(18,162)	18,167
Legal fees	20,000	16,874	3,126	43,528
Transportation	2,500	2,790	(290)	2,600
Utilities	10,000	9,312	688	8,592
Printing and publishing	6,000	6,656	(656)	7,309
Insurance and bonds	16,000	17,786	(1,786)	16,839
Repairs and maintenance	16,500	15,221	1,279	17,359
Contract services	2,000	10,570	(8,570)	499
Consultant fees	12,000	5,620	6,380	14,180
Storage rental	1,200	1,200	-	1,200
Equipment	5,000	3,120	1,880	8,595
Contingency	3,000	10,574	(7,574)	-
Miscellaneous	3,300	4,163	(863)	2,633
Fringe benefits	-	538	(538)	-
Total Administrative and Office	<u>\$ 186,895</u>	<u>\$ 208,215</u>	<u>\$ (21,320)</u>	<u>\$ 219,798</u>
Elections:				
Salaries - temporary employees	\$ -	\$ -	\$ -	\$ 2,055
Transportation	200	70	130	349
Office supplies	600	135	465	537
Professional fees	2,000	966	1,034	1,360
Printing and publishing	500	-	500	1,126
Repairs and maintenance - supplies	100	-	100	30
Equipment	-	2,280	(2,280)	-
Miscellaneous	500	166	334	578
Total Elections	<u>\$ 3,900</u>	<u>\$ 3,617</u>	<u>\$ 283</u>	<u>\$ 6,035</u>
Total General Government	<u>\$ 271,638</u>	<u>\$ 289,908</u>	<u>\$ (18,270)</u>	<u>\$ 297,376</u>

**WATERVLIET TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended March 31, 2006
With Comparative Actual Amounts for the Year Ended March 31, 2005**

	<u>2006</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>	<u>2005 Actual</u>
Public Safety:				
Salaries and Wages:				
Planning Commission	\$ 2,000	\$ 3,240	\$ (1,240)	\$ 2,250
Board of Appeals	1,000	2,185	(1,185)	930
Payroll taxes	230	415	(185)	244
Crossing guard policing	5,000	3,642	1,358	-
Total Public Safety	<u>\$ 8,230</u>	<u>\$ 9,482</u>	<u>\$ (1,252)</u>	<u>\$ 3,424</u>
Public Works:				
Highways and Streets:				
Tree removal	\$ -	\$ 2,200	\$ (2,200)	\$ 1,125
Street lights	3,500	2,525	975	2,460
Drains at large	2,500	1,592	908	1,126
Total Public Works	<u>\$ 6,000</u>	<u>\$ 6,317</u>	<u>\$ (317)</u>	<u>\$ 4,711</u>
Recreation and Cultural:				
Parks and Recreation:				
Repair and maintenance	\$ 9,000	\$ 786	\$ 8,214	\$ 485
Aid to other government	2,500	2,500	-	2,500
Professional services	30,000	28,661	1,339	1,501
Total Recreation and Cultural	<u>\$ 41,500</u>	<u>\$ 31,947</u>	<u>\$ 9,553</u>	<u>\$ 4,486</u>
Debt:				
Principal on loan	\$ 23,600	\$ 23,600	\$ -	\$ 21,300
Interest on loan	16,490	16,490	-	20,185
Total Debt	<u>\$ 40,090</u>	<u>\$ 40,090</u>	<u>\$ -</u>	<u>\$ 41,485</u>
Capital Outlay	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>
Other	<u>\$ 32,492</u>	<u>\$ 32,492</u>	<u>\$ -</u>	<u>\$ 27,992</u>
TOTAL EXPENDITURES	<u>\$ 437,556</u>	<u>\$ 453,983</u>	<u>\$ (16,427)</u>	<u>\$ 408,971</u>

**WATERVLIET TOWNSHIP
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
March 31, 2006**

	Ambulance Fund	General Cemetery Fund	Cemetery Perpetual Care Fund
ASSETS			
Cash in bank	\$ 88,374	\$ 9,295	\$ 58,653
Delinquent tax receivable	<u>2,349</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 90,723</u>	<u>\$ 9,295</u>	<u>\$ 58,653</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Payroll liabilities	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Fund balances:			
Reserved	\$ -	\$ -	\$ 58,653
Unreserved	<u>90,723</u>	<u>9,295</u>	<u>-</u>
Total Fund Balances	<u>\$ 90,723</u>	<u>\$ 9,295</u>	<u>\$ 58,653</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 90,723</u>	<u>\$ 9,295</u>	<u>\$ 58,653</u>

Building Department <u>Fund</u>	<u>Total</u>
\$ 15,989	\$ 172,311
-	2,349

<u>\$ 15,989</u>	<u>\$ 174,660</u>
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<u>\$ -</u>	<u>\$ -</u>
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<u>\$ -</u>	<u>\$ -</u>
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\$ -	\$ 58,653
<u>15,989</u>	<u>116,007</u>

<u>\$ 15,989</u>	<u>\$ 174,660</u>
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<u>\$ 15,989</u>	<u>\$ 174,660</u>
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WATERVLIET TOWNSHIP
NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended March 31, 2006

	<u>Ambulance Fund</u>	<u>Cemetery General Fund</u>	<u>Cemetery Perpetual Care Fund</u>
Revenues:			
Taxes	\$ 33,384	\$ -	\$ -
Charges for services	-	2,425	2,425
Interest and rents	715	1	1,232
Licenses and permits:			
Building permits	-	-	-
Electrical permits	-	-	-
Plumbing permits	-	-	-
Mechanical permits	-	-	-
Other revenue	-	2,400	-
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 34,099	\$ 4,826	\$ 3,657
	<u> </u>	<u> </u>	<u> </u>
Expenditures:			
General Government:			
Maintenance	\$ -	\$ 2,738	\$ -
Professional services	-	4,185	-
Utilities	-	342	-
	<u> </u>	<u> </u>	<u> </u>
Total General Government	\$ -	\$ 7,265	\$ -
	<u> </u>	<u> </u>	<u> </u>
Public Safety:			
Ambulance service	\$ 23,506	\$ -	\$ -
Professional services	-	-	-
Building inspector	-	-	-
Payroll taxes	-	-	-
Electrical inspector	-	-	-
Plumbing inspector	-	-	-
Mechanical inspector	-	-	-
Plan review	-	-	-
Education	-	-	-
Office equipment	-	-	-
Public utilities	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Public Safety	\$ 23,506	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 23,506	\$ 7,265	\$ -
	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balance	\$ 10,593	\$ (2,439)	\$ 3,657
Fund Balance, Beginning of Year	<u>80,130</u>	<u>11,734</u>	<u>54,996</u>
FUND BALANCE, END OF YEAR	<u>\$ 90,723</u>	<u>\$ 9,295</u>	<u>\$ 58,653</u>

Building Department <u>Fund</u>	<u>Total</u>
\$ -	\$ 33,384
-	4,850
-	1,948
39,337	39,337
11,294	11,294
5,733	5,733
8,668	8,668
<u>8,296</u>	<u>10,696</u>
<u>\$ 73,328</u>	<u>\$ 115,910</u>

\$ -	\$ 2,738
-	4,185
-	342
<u>\$ -</u>	<u>\$ 7,265</u>

\$ -	\$ 23,506
31	31
29,504	29,504
2,257	2,257
9,600	9,600
4,873	4,873
8,668	8,668
7,600	7,600
730	730
571	571
<u>1,545</u>	<u>1,545</u>

<u>\$ 65,379</u>	<u>\$ 88,885</u>
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<u>\$ 65,379</u>	<u>\$ 96,150</u>
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\$ 7,949	\$ 19,760
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<u>8,040</u>	<u>154,900</u>
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<u>\$ 15,989</u>	<u>\$ 174,660</u>
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**WATERVLIET TOWNSHIP
AGENCY FUNDS
Combining Balance Sheet
March 31, 2006**

	Tax Collection Fund	Trust and Agency Fund	Total
ASSETS			
Cash in bank	\$ 9,114	\$ 4,272	\$ 13,386
Cash on hand	200	-	200
Due from other governments	<u>710</u>	<u>-</u>	<u>710</u>
 TOTAL ASSETS	 <u>\$ 10,024</u>	 <u>\$ 4,272</u>	 <u>\$ 14,296</u>
 LIABILITIES			
Due to other funds	\$ 9,989	\$ 712	\$ 10,701
Due to other governmental units	<u>35</u>	<u>3,560</u>	<u>3,595</u>
 TOTAL LIABILITIES	 <u>\$ 10,024</u>	 <u>\$ 4,272</u>	 <u>\$ 14,296</u>

WATERVLIET TOWNSHIP
Statement of Cash Receipts and Disbursements - Trust and Agency Fund
For the Year Ended March 31, 2006

Receipts:

Trailer fees	\$ 7,620
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Total Receipts	<u>\$ 7,620</u>
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Disbursements:

Other funds	\$ 1,092
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Other governments	<u>5,457</u>
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Total Disbursements	<u>\$ 6,549</u>
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Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 1,071
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Cash at beginning of year	<u>3,201</u>
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CASH AT END OF YEAR	<u>\$ 4,272</u>
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WATERVLIET TOWNSHIP
Statement of Cash Receipts and Disbursements - Tax Collection Fund
For the Year Ended March 31, 2006

Receipts:

Current property tax collections	\$ 3,111,795	
Interest	<u>3,579</u>	
Total Receipts		\$ 3,115,374

Disbursements:

Public schools	\$ 1,004,581	
Berrien County	1,088,104	
Other funds	589,741	
Berrien County I.S.D.	215,577	
Lake Michigan College	163,353	
Watervliet District Library	44,856	
Other	<u>7,772</u>	

Total Disbursements		<u>3,113,984</u>
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Receipts Over (Under) Disbursements		\$ 1,390
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Cash at beginning of year		<u>7,724</u>
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CASH AT END OF YEAR		<u>\$ 9,114</u>
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WATERVLIET TOWNSHIP
Schedule of Indebtedness - Fire Construction Loan
For the Year Ended March 31, 2006

Watervliet Township entered into a Municipal Purchase Contract to finance an addition to the Fire Station in the amount of \$360,000 on September 8, 2000, with interest at 5.67%. The contract was refinanced in September of 2004, with a new interest rate at 4.325%. Schedule of indebtedness is as follows:

<u>Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Date of Payment</u>	<u>Annual Principal Requirement</u>	<u>Interest Payable</u>
9/8/00	\$ 360,000	4.325%	9/1/06	\$ 20,000	\$ 6,206
			3/1/07	-	5,774
			9/1/07	22,000	5,774
			3/1/08	-	5,298
			9/1/08	24,000	5,298
			3/1/09	-	4,779
			9/1/09	26,000	4,779
			3/1/10	-	4,217
			9/1/10	28,000	4,217
			3/1/11	-	3,611
			9/1/11	30,000	3,611
			3/1/12	-	2,963
			9/1/12	32,000	2,963
			3/1/13	-	2,271
			9/1/13	34,000	2,271
			3/1/14	-	1,535
			9/1/14	35,000	1,535
			3/1/15	-	779
			9/1/15	36,000	778
				<u>\$ 287,000</u>	<u>\$ 68,659</u>

WATERVLIET TOWNSHIP
Schedule of Indebtedness - Public Service Building Loan
For the Year Ended March 31, 2006

Watervliet Township entered into an Installment Purchase Agreement to finance construction of a Public Service Building in the amount of \$110,000 on September 4, 2002. Schedule of indebtedness is as follows:

<u>Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Date of Payment</u>	<u>Annual Principal Requirement</u>	<u>Interest Payable</u>
9/4/02	\$ 110,000	3.87%	9/1/2006	\$ 6,000	\$ 1,802
			3/1/2007	-	1,706
			9/1/2007	6,300	1,706
			3/1/2008	-	1,599
			9/1/2008	6,600	1,599
			3/1/2009	-	1,479
			9/1/2009	7,000	1,479
			3/1/2010	-	1,349
			9/1/2010	7,300	1,349
			3/1/2011		1,211
			9/1/2011	7,600	1,211
			3/1/2012	-	1,064
			9/1/2012	8,000	1,064
			3/1/2013	-	906
			9/1/2013	8,300	906
			3/1/2014	-	743
			9/1/2014	8,600	743
			3/1/2015	-	571
			9/1/2015	9,000	571
			3/1/2016	-	391
			9/1/2016	9,400	391
			3/1/2017	-	203
			9/1/2017	10,000	203
				<u>\$ 94,100</u>	<u>\$ 24,246</u>

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

May 24, 2006

Township Board
Township of Watervliet
Watervliet, Michigan

In connection with our audit of the books and records of Watervliet Township for the year ending March 31, 2006, we offer the following comments and recommendations regarding internal control and other accounting matters:

GENERAL

1. Accumulated funds in the Current Tax Fund at March 31, 2006 are \$9,116. During the year the Township transferred \$5,000 to the General Fund. The Township should continue to monitor the accumulated funds and transfer to the General Fund accordingly.
2. Activity for the Horizon public fund account was not recorded in the year-to-date ledger. Interest earned and account fees incurred throughout the year should be recorded in the year-to-date ledger throughout the year.
3. When certificates of deposit mature, interest earned and rolled over into the new certificate should be recorded. Interest was not recorded on certificates from LaSalle Bank and Horizon Bank that matured during the year.
4. The policy manual should be updated to reflect the current policy on accrued sick and vacation time.
5. Public Act 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended March 31, 2006, the Township's actual expenditures exceeded the budget in the following General Fund functions: General Government, Legislative, Public Safety, Public Works, and Other.
6. Public Act 196 of 1997 requires all local units to adopt an investment policy. The Township currently does not have a written investment policy. The investment policy should be written to comply with GASB 40.
7. The Township's administration and accounting personnel displayed a high level of dedication and cooperation in performing their functions and assisting us in completing ours.

We appreciate the cooperation and courtesy extended to us by the officials and employees of Watervliet Township and trust that these comments and recommendations will be accepted in the spirit of cooperation in which they are offered.

Very truly yours,

Gerbel & Company, P.C.
GERBEL & COMPANY, P.C.
Certified Public Accountants

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com